

**EAST MILLS COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2015**

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# EAST MILLS COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jeffery Poort	President	2015
Matt Urban	Vice President	2015
Brenda Koger	Board Member	2017
Susan Stogdill	Board Member	2017
Pete Franks	Board Member	2017
<b>School Officials</b>		
Paul Croghan	Superintendent	2015
Darla Hetzel	Business Manager/Board Secretary	2015
Ahlers & Cooney, P.C.	Attorney	2015

**EAST MILLS COMMUNITY SCHOOL DISTRICT**





Diane McGrain, CPA  
Jim Menard, CPA

October 19, 2015

## INDEPENDENT AUDITORS' REPORT

The Board of Education  
East Mills Community School District  
Hastings, IA 51540

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Mills Community School District, Hastings, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Continued...

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42 n 2<sup>nd</sup> Street  
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October 19, 2015  
East Mills Community School District  
Independent Auditors' Report

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Mills Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, East Mills Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of the District's Proportionate Share of the Net Pension Liability, the District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 52 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Mills Community School District's basic financial statements. The financial statements for the three years ended June 30, 2014 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Continued...

October 19, 2015  
East Mills Community School District  
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of East Mills Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Mills Community School District's internal control over financial reporting and compliance.

*Schroer & Associates, PC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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East Mills Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,500,246 in fiscal 2014 to \$5,616,255 in fiscal 2015. General Fund expenditures decreased from \$5,166,257 in fiscal 2014 to \$5,059,266 in fiscal 2015. The increase in General Fund revenues was primarily the result of increases in local source revenues. The decrease in expenditures was due to reduced spending in the instruction functional area. This resulted in an increase of the District's General Fund balance from \$2,455,717 at June 30, 2014 to \$3,016,800 at June 30, 2015.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of East Mills Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Mills Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Mills Community School District acts solely as an agent or custodian for the benefit of those outside of County government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retirees Health Plan.
- Supplementary Information provides detailed information about the non-major governmental funds.
- Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**  
**East Mills Community School District Annual Financial Report**

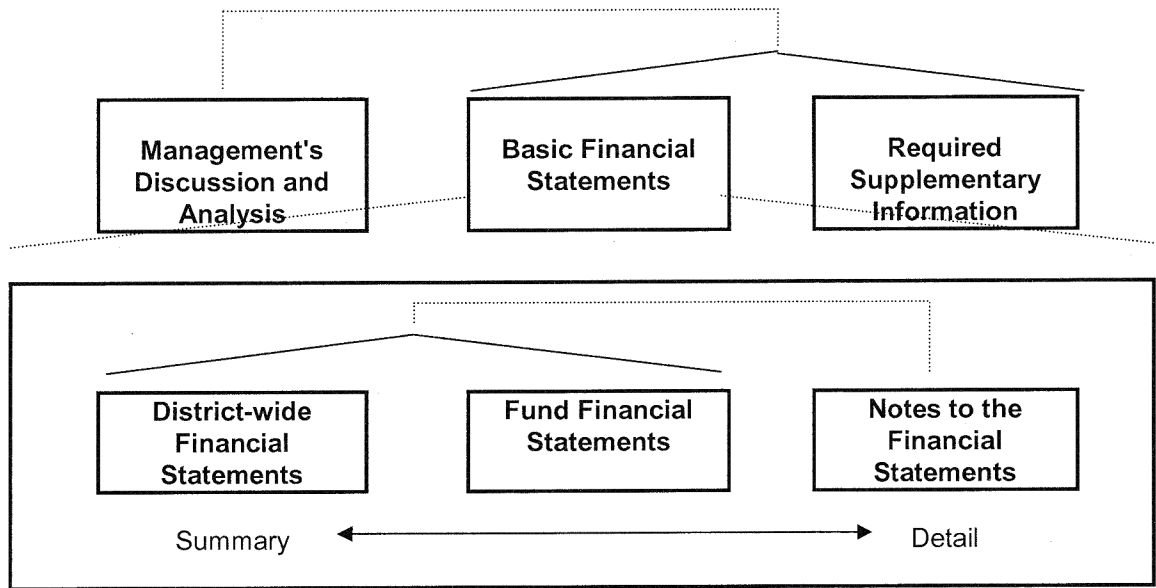




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2  
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/ Acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and reductions during year, regardless of when cash is received or paid

## REPORTING OF DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information such as cash flows. The District's proprietary funds include the School Nutrition Fund and the Internal Service Fund.



The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

3. *Fiduciary funds:* The District is the trustee or fiduciary for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net position** – Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-2015
	2015	(not restated)	2015	(not restated)	2015	(not restated)	
Current and other assets	\$ 10,097	9,447	38	13	10,135	9,460	7.14%
Capital assets	5,133	5,238	18	20	5,151	5,258	-2.03%
Total assets	15,230	14,685	56	33	15,286	14,718	3.86%
Deferred outflows of resources	297	-	9	-	306	-	100.00%
Long-term liabilities	5,215	4,811	50	1	5,265	4,812	9.41%
Other liabilities	1,015	605	5	3	1,020	608	67.76%
Total liabilities	6,230	5,416	55	4	6,285	5,420	15.96%
Deferred inflows of resources	4,279	3,918	32	-	4,311	3,918	10.03%
Net position							
Net investment in capital assets	1,789	1,543	18	20	1,807	1,563	15.61%
Restricted	2,580	1,470	-	-	2,580	1,470	75.51%
Unrestricted	649	2,338	(40)	9	609	2,347	-74.05%
Total net position	\$ 5,018	5,351	(22)	29	4,996	5,380	-7.14%

The District's total net position decreased by 6.13% or approximately \$330,000 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,110,000 or 75.51% from the prior year. The increase was mainly attributable to the increase in the fund balance of the Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$1,738,000 or 74.05%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,436,484 and \$77,427, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Changes in net position** – Figure A-4 shows the changes in net position for the year ended June 30, 2015, compared to the year ended June 30, 2014.

<b>Figure A-4</b> <b>Changes in Net Position</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014		2014		2014		2014-2015
	2015	(not restated)	2015	(not restated)	2015	(not restated)	
Revenue							
Program revenues:							
Charges for services	\$ 409	344	107	105	516	449	14.92%
Operating grants, contributions and restricted interest	933	484	147	155	1,080	639	69.01%
Capital grants, contributions and restricted interest	5	8	-	-	5	8	-37.50%
General revenues:							
Property tax	4,176	3,857	-	-	4,176	3,857	8.27%
Statewide sales, services and use tax	511	486	-	-	511	486	5.14%
Unrestricted state grants	1,769	2,343	-	-	1,769	2,343	-24.50%
Unrestricted investment earnings	35	74	-	-	35	74	-52.70%
Other	66	45	-	1	66	46	43.48%
Total revenues	7,904	7,641	254	261	8,158	7,902	3.24%
Program expenses:							
Instruction	3,661	4,600	-	-	3,661	4,600	-20.41%
Support services	1,600	1,605	-	3	1,600	1,608	-0.50%
Non-instructional programs	-	-	228	245	228	245	-6.94%
Other expenses	540	561	-	-	540	561	-3.74%
Total expenses	5,801	6,766	228	248	6,029	7,014	-14.04%
Changes in net position	2,103	875	26	13	2,129	888	139.75%
Net position beginning of year, as restated	2,915	4,476	(48)	16	2,867	4,492	-36.18%
Net position end of year	\$ 5,018	5,351	(22)	29	4,996	5,380	-7.14%

In fiscal year 2015, property tax and unrestricted state grants accounted for 72.8% of governmental activities revenue, while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$8.1 million, of which approximately \$7.9 million was for governmental activities and \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.24% increase in revenues and a 14.81% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$7,904,320 for fiscal year 2015 and expenses were \$5,747,366 for the year ended 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2015 compared to the year end June 30, 2014.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (not restated)	Change 2014-2015	2015	2014 (not restated)	Change 2014-2015
Instruction	\$ 3,661	4,600	-20.41%	2,658	4,000	-33.55%
Support services	1,600	1,605	-0.31%	1,488	1,594	-6.65%
Other expenses	540	561	-3.74%	308	336	-8.33%
Total	\$ 5,801	6,766	-14.26%	4,454	5,930	-24.89%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$409,363.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$937,023.
- The net cost of governmental activities was financed with \$4,687,323 in property and other taxes, and \$1,768,783 in unrestricted state grants.

### Business-Type Activities

Revenues of the District's business-type activities were \$253,708 for 2015, and expenses were \$227,533 for 2015. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the East Mills Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,991,491 for 2015 and \$4,715,985 for 2014. The primary reason for the increase in combined fund balances in fiscal 2015 is due to increases in local revenue sources and reduced spending in the instruction area.

### Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Although the District saw an increase in all revenue areas including property tax collections, expenditures increased at a slightly higher rate resulting in an overall decrease in financial position. The increased expenditures were mainly from increases in salaries and benefits.
- The General Fund balance increased from \$2,455,717 to \$3,016,800 due to an overall increase in revenues over expenditures.
- The Management Levy Fund balance increased from \$1,370,691 at June 30, 2014 to \$2,077,539 at June 30, 2015. The increase was the result of additional tax levied to support termination benefits for early retirees.
- The Capital Project Fund balance increased from \$727,256 to \$783,938 due to an increase in revenues from the state-wide penny sales tax.

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from (\$48,207) at June 30, 2014 to (\$22,032) at June 30, 2015, representing an increase of 54.3%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, East Mills Community School District amended its budget one time to reflect expenditures associated with construction costs.

The District's total revenues were \$141,030 more than total budgeted revenues, a variance of less than 2%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested approximately \$5,151,000, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$271,694.

The original cost of the District's capital assets was \$11,299,569. Governmental funds account for \$11,148,363 with the remainder of \$151,206 in the Proprietary, School Nutrition Fund.

The significant capital assets activities during the year include the athletic field renovation, air handler replacement, security, and the vehicle purchases.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 47	47	-	-	47	47	0.00%
Construction in progress	124	-	-	-	124	-	100.00%
Buildings	4,553	4,695	-	-	4,553	4,695	-3.02%
Improvements other than buildings	220	241	-	-	220	241	-8.71%
Machinery and equipment	189	254	18	21	207	275	-24.73%
Total	5,133	5,237	18	21	5,151	5,258	-2.03%



## Long-Term Debt

At June 30, 2015 the District had long term debt outstanding of \$3,344,000. This represents a decrease of 9.50% from the prior year. (See Figure A-7) More detailed information about the District's long term liabilities is available in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District June 30,		Total Change June 30, 2014-2015
	2015	2014	
General obligation bonds	\$ 1,700	1,855	-8.36%
Revenue bonds	1,585	1,665	-4.80%
Computer Lease	59	175	-66.29%
Total	\$ 3,344	3,695	-9.50%

## ECONOMIC FACTORS THAT BEAR ON THE DISTRICT'S FUTURE

- The District is looking at ways to reduce expenditures to improve the unspent budget authority balance. Some of the things done this fiscal year were to share the superintendent, human resource clerk, nurse, guidance counselor and maintenance director.
- A decrease in enrollment had a negative impact on the District's spending authority.
- The District is continuing to train employees on safety awareness to reduce workers' compensation claims.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darla Hetzel, Business Manager/Board Secretary, East Mills Community School District, 58962 380<sup>th</sup> Street, Hastings, Iowa 51540.

## **BASIC FINANCIAL STATEMENTS**

**EAST MILLS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,293,155	31,088	6,324,243
Receivables:			
Property tax:			
Delinquent	29,715	-	29,715
Succeeding year	3,278,521	-	3,278,521
Accounts	27,795	-	27,795
Accrued Interest	-	-	-
Due from other governments	438,640	-	438,640
Prepaid expenses	29,382	-	29,382
Inventories	-	6,574	6,574
Capital assets, net of accumulated depreciation	5,133,190	17,592	5,150,782
Total assets	<u>15,230,398</u>	<u>55,254</u>	<u>15,285,652</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	296,487	9,681	306,168
<b>Liabilities</b>			
Accounts payable	188,272	493	188,765
Salaries & benefits payable	368,224	-	368,224
Deposits	23,560	-	23,560
Accrued interest payable	6,146	-	6,146
Advances from grantors	440	-	440
Unearned revenue	-	4,501	4,501
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	160,000	-	160,000
Revenue bonds	85,000	-	85,000
Computer lease payable	59,279	-	59,279
Termination benefits payable	124,488	-	124,488
Portion due after one year:			
General obligation bonds	1,540,000	-	1,540,000
Revenue bonds	1,500,000	-	1,500,000
Termination benefits payable	547,016	-	547,016
Net pension liability	1,538,998	48,907	1,587,905
Net OPEB liability	88,570	1,267	89,837
Total liabilities	<u>6,229,993</u>	<u>55,168</u>	<u>6,285,161</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,278,521	-	3,278,521
Pension related deferred inflows	1,000,646	31,799	1,032,445
Total deferred inflows of resources	<u>4,279,167</u>	<u>31,799</u>	<u>4,310,966</u>
<b>Net Position</b>			
Net investment in capital assets	1,788,911	17,592	1,806,503
Restricted for:			
General fund reserves	283,215	-	283,215
Debt service	176,931	-	176,931
Management levy purposes	1,406,035	-	1,406,035
Student activities	94,190	-	94,190
Capital projects	591,381	-	591,381
Physical plant and equipment levy	28,504	-	28,504
Unrestricted	648,558	(39,624)	608,934
Total net position	<u>\$ 5,017,725</u>	<u>(22,032)</u>	<u>4,995,693</u>

See notes to financial statements



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,745,787	121,664	584,732	-	(2,039,391)	-	(2,039,391)
Special instruction	701,191	61,822	94,934	-	(544,435)	-	(544,435)
Other instruction	214,163	114,814	25,078	-	(74,271)	-	(74,271)
	<u>3,661,141</u>	<u>298,300</u>	<u>704,744</u>	<u>-</u>	<u>(2,658,097)</u>	<u>-</u>	<u>(2,658,097)</u>
Support services:							
Student services	115,740	9,164	-	-	(106,576)	-	(106,576)
Instructional staff services	30,733	-	-	-	(30,733)	-	(30,733)
Administration services	401,189	101,899	-	-	(299,290)	-	(299,290)
Operation & maintenance of plant services	695,451	-	-	-	(695,451)	-	(695,451)
Transportation services	357,327	-	920	-	(356,407)	-	(356,407)
	<u>1,600,440</u>	<u>111,063</u>	<u>920</u>	<u>-</u>	<u>(1,488,457)</u>	<u>-</u>	<u>(1,488,457)</u>
Other expenditures:							
Facilities acquisition	24,488	-	-	4,496	(19,992)	-	(19,992)
Long-term debt interest	125,541	-	832	-	(124,709)	-	(124,709)
AEA flowthrough	226,031	-	226,031	-	-	-	-
Depreciation (unallocated)*	163,725	-	-	-	(163,725)	-	(163,725)
	<u>539,785</u>	<u>-</u>	<u>226,863</u>	<u>4,496</u>	<u>(308,426)</u>	<u>-</u>	<u>(308,426)</u>
Total governmental activities	<u>5,801,366</u>	<u>409,363</u>	<u>932,527</u>	<u>4,496</u>	<u>(4,454,980)</u>	<u>-</u>	<u>(4,454,980)</u>
Business-Type activities:							
Support services:							
Operation and maintenance of plant	478	-	-	-	-	(478)	(478)
Non-instructional programs:							
Nutrition services	227,055	106,449	147,161	-	-	26,555	26,555
Total business type activities	<u>227,533</u>	<u>106,449</u>	<u>147,161</u>	<u>-</u>	<u>-</u>	<u>26,077</u>	<u>26,077</u>
Total	<u>\$ 6,028,899</u>	<u>515,812</u>	<u>1,079,688</u>	<u>4,496</u>	<u>(4,454,980)</u>	<u>26,077</u>	<u>(4,428,903)</u>
General Revenues:							
Property and other tax levied for:							
General purposes					\$ 3,931,768	-	3,931,768
Debt service					145,689	-	145,689
Capital outlay					98,827	-	98,827
Statewide sales, services and use tax					511,039	-	511,039
Unrestricted state grants					1,768,783	-	1,768,783
Unrestricted investment earnings					35,241	98	35,339
Other					66,587	-	66,587
Total general revenues					<u>6,557,934</u>	<u>98</u>	<u>6,558,032</u>
Change in net position					2,102,954	26,175	2,129,129
Net position beginning of year, as restated					<u>2,914,771</u>	<u>(48,207)</u>	<u>2,866,564</u>
Net position end of year					<u>\$ 5,017,725</u>	<u>(22,032)</u>	<u>4,995,693</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
GOVERNMENTAL FUND  
BALANCE SHEET  
YEAR ENDED JUNE 30, 2015**

	General	Special Revenue Management Levy	Capital Projects	Nonmajor Governmental	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 3,424,214	2,016,665	717,683	112,753	6,271,315
Receivables:					
Property tax:					
Delinquent	17,947	9,824	741	1,203	29,715
Succeeding year	2,287,690	392,658	460,808	137,365	3,278,521
Accounts	1,032	21,668	5,095	-	27,795
Due from other governments	358,459	-	80,181	-	438,640
Prepaid expenses	-	29,382	-	-	29,382
<b>Total assets</b>	<b>\$ 6,089,342</b>	<b>2,470,197</b>	<b>1,264,508</b>	<b>251,321</b>	<b>10,075,368</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 184,818	-	2,712	742	188,272
Salaries and benefits payable	368,224	-	-	-	368,224
Deposits	6,510	-	17,050	-	23,560
Advances from grantors	440	-	-	-	440
<b>Total liabilities</b>	<b>559,992</b>	<b>-</b>	<b>19,762</b>	<b>742</b>	<b>580,496</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,287,690	392,658	460,808	137,365	3,278,521
Income surtax	224,860	-	-	-	224,860
<b>Total deferred inflows of resources</b>	<b>2,512,550</b>	<b>392,658</b>	<b>460,808</b>	<b>137,365</b>	<b>3,503,381</b>
Fund balances:					
Nonspendable - prepaids	-	29,382	-	-	29,382
Restricted for:					
Categorical funding	270,630	-	-	-	270,630
Donated purposes	12,585	-	-	-	12,585
Debt service	-	-	164,053	19,024	183,077
Capital projects	-	-	591,381	-	591,381
Physical plant and equipment	-	-	28,504	-	28,504
Management levy purposes	-	2,048,157	-	-	2,048,157
Student activities	-	-	-	94,190	94,190
Unassigned	2,733,585	-	-	-	2,733,585
<b>Total fund balances</b>	<b>3,016,800</b>	<b>2,077,539</b>	<b>783,938</b>	<b>113,214</b>	<b>5,991,491</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,089,342</b>	<b>2,470,197</b>	<b>1,264,508</b>	<b>251,321</b>	<b>10,075,368</b>

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2015**

<b>Total fund balances of governmental funds</b>	<b>\$ 5,991,491</b>
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,133,190
Blending of the Internal Service Fund to be reflected on an entity - wide basis.	21,840
Accounts receivable income surtax, are not yet available to finance expenditures of the current period	224,860
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,146)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 296,487
Deferred inflows of resources	<u>(1,000,646)</u>
	(704,159)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, computer lease payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities of the governmental funds.	<u>(5,643,351)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>5,017,725</u></b>

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	General	Special Revenue Management Levy	Capital Projects	Nonmajor Governmental	Total
Revenues:					
Local sources:					
Local Tax	\$ 2,598,765	1,307,655	98,827	145,689	4,150,936
Tuition	162,544	-	-	-	162,544
Other	207,644	37,671	4,496	116,444	366,255
State sources	2,503,849	-	511,039	-	3,014,888
Federal sources	143,453	-	-	-	143,453
Total revenues	5,616,255	1,345,326	614,362	262,133	7,838,076
Expenditures:					
Current					
Instruction:					
Regular	2,549,632	496,074	10,632	-	3,056,338
Special	712,764	-	-	-	712,764
Other	102,001	-	-	116,782	218,783
	3,364,397	496,074	10,632	116,782	3,987,885
Support services:					
Student	74,728	-	43,469	-	118,197
Instructional staff	28,205	-	2,536	-	30,741
Administration	538,992	4,562	-	-	543,554
Operation and maintenance of plant	491,969	119,768	87,680	-	699,417
Transportation	334,944	18,274	17,924	-	371,142
	1,468,838	142,604	151,609	-	1,763,051
Other expenditures:					
Facilities acquisition	-	-	148,508	-	148,508
Long-term debt:					
Principal	-	-	-	350,859	350,859
Interest and fiscal charges	-	-	-	127,132	127,132
AEA flowthrough	226,031	-	-	-	226,031
	226,031	-	148,508	477,991	852,530
Total expenditures	5,059,266	638,678	310,749	594,773	6,603,466
Excess(deficiency) of revenues over (under) expenditures	556,989	706,648	303,613	(332,640)	1,234,610
Other financing sources (uses):					
Sale of general fixed assets	-	-	40,896	-	40,896
Transfers in	4,094	-	-	287,827	291,921
Transfers out	-	-	(287,827)	(4,094)	(291,921)
Total other financing sources(uses)	4,094	-	(246,931)	283,733	40,896
Net change in fund balances	561,083	706,648	56,682	(48,907)	1,275,506
Fund balances beginning of year	2,455,717	1,370,891	727,256	162,121	4,715,985
Fund balances end of year	\$ 3,016,800	2,077,539	783,938	113,214	5,991,491

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

**Net change in fund balances - total governmental funds** **\$ 1,275,506**

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays depreciation expense and adjustments for disposals in the year are as follows:

Expenditures for capital assets	\$ 163,776	
Depreciation expense	<u>(268,795)</u>	(105,019)

Blending of the Internal Service Fund to be reflected on an entity-wide basis.		5,425
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.		350,859
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,591
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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds		25,348
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The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		211,842
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other post employment benefits	(6,543)	
Pension expense	(18,515)	
Early retirement	<u>362,460</u>	<u>337,402</u>

**Change in net position of governmental activities** **\$ 2,102,954**

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Enterprise Fund School Nutrition	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 31,088	21,840
Accounts receivable	-	-
Inventories	6,574	-
Total current assets	<u>37,662</u>	<u>21,840</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>17,592</u>	<u>-</u>
Total assets	55,254	21,840
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	9,681	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	493	-
Unearned revenue	4,501	-
Total current liabilities	<u>4,994</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	48,907	-
Net OPEB liability	1,267	-
Total noncurrent liabilities	<u>50,174</u>	<u>-</u>
Total liabilities	55,168	-
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	31,799	-
<b>Net Position</b>		
Investment in capital assets	17,592	-
Unrestricted	<u>(39,624)</u>	<u>21,840</u>
Total net position	<u>\$ (22,032)</u>	<u>21,840</u>

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Enterprise Fund School Nutrition	Internal Service Fund
Operating revenue:		
Local sources:		
Charges for service	\$ 106,449	-
Miscellaneous	-	8,440
Total operating revenues	<u>106,449</u>	<u>8,440</u>
Operating expenses:		
Support services:		
Administration	-	3,141
Operation and maintenance of plant	478	-
	<u>478</u>	<u>3,141</u>
Non-instructional programs:		
Food service operations:		
Salaries	79,073	-
Benefits	17,242	-
Purchased services	1,656	-
Supplies	126,185	-
Depreciation	2,899	-
	<u>227,055</u>	<u>-</u>
Total operating expenses	<u>227,533</u>	<u>3,141</u>
Operating income (loss)	(121,084)	5,299
Non-operating revenue:		
State sources	4,376	-
Federal sources	142,785	-
Interest on investments	98	126
Total non-operating revenue	<u>147,259</u>	<u>126</u>
Change in net position	26,175	5,425
Net position beginning of year, as restated	<u>(48,207)</u>	<u>16,415</u>
Net position end of year	<u>\$ (22,032)</u>	<u>21,840</u>

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Enterprise Fund School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 108,132	-
Cash received from miscellaneous	-	8,440
Cash payments to employees for services	(102,623)	(3,141)
Cash payments to suppliers for goods or services	(112,218)	-
Net cash used by operating activities	(106,709)	5,299
Cash flows from non-capital financing activities:		
State grants received	4,376	-
Federal grants received	125,932	-
Net cash provided by non-capital financing sources	130,308	-
Cash flows from investing activities:		
Interest on investments	98	126
Net increase in cash and cash equivalents	23,697	5,425
Cash and cash equivalents at beginning of year	7,391	16,415
Cash and cash equivalents at end of year	\$ 31,088	21,840
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>		
Operating income	\$ (121,084)	5,299
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	16,853	-
Depreciation	2,899	-
Increase in inventories	(1,172)	-
Increase in payables	420	-
Increase in unearned revenue	1,683	-
Decrease in net pension liability	(35,727)	-
Increase in net OPEB liability	94	-
Increase in deferred outflows of resources	(2,474)	-
Increase in deferred inflows of resources	31,799	-
Net cash provided by operating activities	\$ (106,709)	5,299

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2015 the District received \$16,853 of federal commodities

See notes to financial statements



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 827	1,969
Total assets	<u>827</u>	<u>1,969</u>
<b>Liabilities</b>		
Due to other governments	<u>-</u>	<u>1,969</u>
Total liabilities	<u>-</u>	<u>1,969</u>
<b>Net Position</b>		
Reserved for scholarships	\$ <u><u>827</u></u>	<u><u>-</u></u>

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 2
Total additions	<u>2</u>
Deductions:	
Instruction:	
Regular	
Scholarships awarded	<u>100</u>
Change in net position	(98)
Net position beginning of year	<u>925</u>
Net position end of year	<u>\$ 827</u>

See notes to financial statements

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies**

The East Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of Malvern, Hastings, Henderson and Emerson, Iowa and the predominate agricultural territory in a portion of Mills and Montgomery Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, East Mills Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Mills Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in jointly governed organizations that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mills County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation – (continued)**

*Restricted net position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the preceding two categories. Unrestricted net position is often subject to constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Management Levy Fund is utilized to account for the payment of property insurance and termination benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and all other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally the District reports the following additional proprietary fund:

The Internal Service Fund is used to account for the District's flexible spending account.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation - (continued)**

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting - (continued)**

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50 years
Improvements other than buildings	20 years
Intangibles	2 years
Furniture and equipment	5-20 years

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (continued)**

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Unearned Revenue - Nutrition fund unearned revenue consists of student meal charges collected but not yet earned.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (continued)**

Deferred Inflows of Resources (continued)

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied, succeeding year income surtax that will not be recognized as revenue until available, and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts not in spendable form, such as inventories and prepaid expenses.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resource are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 2 Cash and Pooled Investments (Continued)**

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust District Government Obligations Portfolio which are valued at an amortized cost of \$164,093 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services

**NOTE 3 Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 287,827
General	Activity	<u>4,094</u>
		\$ <u>291,921</u>

Transfers generally move revenues from the fund statutorily required to collect the resources, to the fund statutorily required to expend the resources.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 4 Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 47,500	-	-	47,500
Construction in progress	-	124,020	-	124,020
	<u>47,500</u>	<u>124,020</u>	<u>-</u>	<u>171,520</u>
Capital assets being depreciated:				
Buildings	7,609,598	-	-	7,609,598
Improvements other than buildings	745,355	-	-	745,355
Furniture and equipment	2,582,134	39,756	-	2,621,890
Total capital assets being depreciated	<u>10,937,087</u>	<u>39,756</u>	<u>-</u>	<u>10,976,843</u>
Less accumulated depreciation for:				
Buildings	2,914,062	143,021	-	3,057,083
Improvements other than buildings	503,937	20,705	-	524,642
Furniture and equipment	2,328,379	105,069	-	2,433,448
Total accumulated depreciation	<u>5,746,378</u>	<u>268,795</u>	<u>-</u>	<u>6,015,173</u>
Total capital assets being depreciated, net	<u>5,190,709</u>	<u>(229,039)</u>	<u>-</u>	<u>4,961,670</u>
Governmental activities capital assets, net	<u>\$ 5,238,209</u>	<u>(105,019)</u>	<u>-</u>	<u>5,133,190</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 151,206	-	-	151,206
Less accumulated depreciation	<u>130,715</u>	<u>2,899</u>	<u>-</u>	<u>133,614</u>
Business-type activities capital assets, net	<u>\$ 20,491</u>	<u>(2,899)</u>	<u>-</u>	<u>17,592</u>

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 4 Capital Assets – (continued)**

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:	
Regular	\$ 74,159
Other	1,965
Support services:	
Administration	4,011
Operation and maintenance of plant	4,882
Transportation	20,053
	<u>105,070</u>
Unallocated	<u>163,725</u>
Total depreciation expense - governmental activities	<u>\$ 268,795</u>

Business-type activities:

Food services	<u>\$ 2,899</u>
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**NOTE 5 Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 1,855,000	-	155,000	1,700,000	160,000
Revenue bonds	1,665,000	-	80,000	1,585,000	85,000
Computer lease	175,138	-	115,859	59,279	59,279
Termination benefits	1,033,964	-	362,460	671,504	124,488
Net pension liability	2,663,241	-	1,124,243	1,538,998	-
Net OPEB liability	82,027	6,543	-	88,570	-
Total	<u>\$ 7,474,370</u>	<u>6,543</u>	<u>1,837,562</u>	<u>5,643,351</u>	<u>428,767</u>
<b>Business type activities</b>					
Net pension liability	\$ 84,634	-	35,727	48,907	-
Net OPEB liability	1,173	94	-	1,267	-
	<u>\$ 85,807</u>	<u>94</u>	<u>35,727</u>	<u>50,174</u>	<u>-</u>

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 5 Long-Term Liabilities – (continued)**

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bond indebtedness are as follows:

Year Ending June 30,	Refunding Bonds Dated March 25, 2014			
	Interest Rates	Principal	Interest	Total
2016	1.50%	\$ 160,000	33,200	193,200
2017	1.50%	160,000	30,800	190,800
2018	1.50%	165,000	28,400	193,400
2019	1.50%	165,000	25,925	190,925
2020	2.00%	165,000	23,450	188,450
2021-2025	2.00-2.65%	885,000	64,364	949,364
		<u>\$ 1,700,000</u>	<u>206,139</u>	<u>1,906,139</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bond indebtedness are as follows:

Year Ending June 30,	Revenue Bonds Dated May 1, 2009			
	Interest Rates	Principal	Interest	Total
2016	3.75%	\$ 85,000	78,430	163,430
2017	4.20%	85,000	75,242	160,242
2018	4.20%	90,000	71,673	161,673
2019	4.60%	95,000	67,892	162,892
2020	4.60%	100,000	63,523	163,523
2021-2025	4.90-5.25%	560,000	242,238	802,238
2026-2029	5.25-5.40%	570,000	78,915	648,915
		<u>\$ 1,585,000</u>	<u>677,913</u>	<u>2,262,913</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,950,000 bonds issued in May 2009. The bonds were issued for the purpose of financing a portion of and the costs of an addition and remodeling of the existing high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds require approximately 33 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the note is \$2,262,913. For the current year, \$80,000 of principal and \$81,430 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$511,039.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 5 Long-Term Liabilities - (continued)**

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$164,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited into a sinking account. The reserve account is maintained in the Capital Projects, Statewide Sales Services and Use Tax Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District has complied with the above provisions.

Computer Lease

During the year ended June 30, 2012, the District entered into a capital lease for the purchase of computer equipment. The lease payments are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the agreement at June 30, 2015 are as follows:

Year Ending June 30,	Computer Lease dated March 1, 2012			
	Interest Rate	Principal	Interest	Total
2016	2.74%	\$ 59,279	919	60,198

Termination Benefits

The District approved a voluntary early-retirement plan for employees in fiscal years 2013 and 2014. Eligible employees must have reached the age of 55 at the actual date of retirement, completed five years of service at the District immediately prior to retiring, and be employed on a full-time basis as a certified teacher or administrator during the last school year prior to early retirement.

Early retirement benefits equal 75% of the employee's current regular salary contributed to a Special Pay Plan per Internal Revenue Code 403(b). The retiring employee would receive 50% of this, with an additional 10% for each year employed at the District over five years, with a maximum limit of 100%. For the fiscal year 2013 retirees, the contribution will be paid in two equal annual installments on July 15<sup>th</sup>. For the fiscal year 2014 retirees, the contribution will be paid in one installment on July 15<sup>th</sup>.



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 5 Long-Term Liabilities - (continued)**

Termination Benefits – (continued)

Additionally, the District will continue to pay the employees' health insurance premium in the District's plan until the employee reaches the age of 65 or otherwise ceases to participate in the District's health insurance plan. For the fiscal year 2013 retirees, the employer's contribution is fixed at the 2013-2014 cost, for the fiscal year 2014 retirees, the employer's contribution is fixed at the 2014-2015 cost, with any increases being the employee's obligation.

Additionally, the District will continue to make the current contribution to the employee's Tax Sheltered Annuity, if any, until the employee reaches the age of 65 or otherwise ceases to participate in such a plan.

At June 30, 2015, the District has obligations to thirteen participants with a total liability of \$617,504. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$416,460.

**NOTE 6 Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 6 Pension Plan – (continued)**

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$218,833.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,587,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was .039236 percent, which was a decrease of .009296 from its proportion measured as of June 30, 2013.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 6 Pension Plan – (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$19,103. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,257	\$ -
Changes in assumptions	70,078	-
Net difference between projected and actual earnings on pension plan investments	-	605,581
Changes in proportion and differences between District contributions and proportionate share of contributions	-	426,864
District contributions subsequent to the measurement date	<u>218,833</u>	<u>-</u>
Total	<u>\$ 306,168</u>	<u>\$ 1,032,445</u>

\$218,833 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (230,724)
2017	(230,724)
2018	(230,724)
2019	(230,724)
2020	<u>(22,212)</u>
Total	<u>\$ (945,108)</u>

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 6 Pension Plan – (continued)**

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 6 Pension Plan – (continued)**

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,000,302	\$ 1,587,905	\$ 395,696

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$25,086 for legally required employer contributions and \$16,714 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**NOTE 7 Other Post Employment Benefits (OPEB)**

Plan Description – The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 29 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 7 Other Post Employment Benefits (OPEB) – (continued)**

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 139,030
Interest on net OPEB obligation	2,080
Adjustment to annual required contribution	(17,476)
Annual OPEB cost	123,634
Contributions made	(116,997)
Increase in net OPEB obligation	6,637
Net OPEB obligation, beginning of year	83,200
Net OPEB obligation, end of year	\$ 89,837

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$116,997 to the plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 53,451	45.7 %	\$ 54,650
2014	34,820	18.0 %	83,200
2015	123,634	94.6 %	89,837

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$589,082, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$589,082. The covered payroll (annual payroll of active employees covered by the plan) was \$1,163,861, and the ratio of the UAAL to covered payroll was 50.61%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan include estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 7 Other Post Employment Benefits (OPEB) – (continued)**

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014, actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The most recent aging curve study was presented by the Society of Actuaries in February 2006. This study provided the basis for the "aging cost assumption" used in the valuation. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 8 Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 9 Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$226,031 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**NOTE 10 Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Project	Amount
Limited English proficiency	\$ 1,334
At risk	459
Returning dropouts and dropout prevention programs	4,736
Four-year-old preschool state aid	161,675
Early intervention	313
Early childhood programs	7,083
Early literacy	24,038
Professional development for model core curriculum	48,589
Professional development	15,244
Teacher mentoring	403
Teacher leadership grant	6,756
	<u>\$ 270,630</u>

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 11 Construction Commitments**

At June 30, 2015, the District has construction commitments of \$1,368,039 on various improvement projects. Retainage due of \$9,280 at June 30, 2015 is included in accounts payable.

**NOTE 12 SUBSEQUENT EVENTS**

In July 2015, the District issued \$1,690,000 in general obligation capital loan notes to cover construction commitments.

**NOTE 13 ACCOUNTING CHANGE/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 5,351,255	\$ 29,220
Net pension liability at June 30, 2014	(2,663,241)	(84,634)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>226,757</u>	<u>7,207</u>
Net position July 1, 2014, as restated	\$ <u>2,914,771</u>	\$ <u>(48,207)</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN BALANCES – BUDGET AND ACTUAL –  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 4,679,735	106,547	4,786,282	5,039,257	5,039,257	(252,975)
State sources	3,014,888	4,376	3,019,264	2,618,621	2,618,621	400,643
Federal sources	143,453	142,785	286,238	292,876	292,876	(6,638)
Total receipts	<u>7,838,076</u>	<u>253,708</u>	<u>8,091,784</u>	<u>7,950,754</u>	<u>7,950,754</u>	<u>141,030</u>
Expenditures:						
Instruction	3,987,885	-	3,987,885	4,135,000	4,135,000	147,115
Support services	1,763,051	478	1,763,529	2,380,785	2,380,785	617,256
Non-instructional programs	-	227,055	227,055	223,000	248,000	20,945
Other expenditures	852,530	-	852,530	1,191,840	1,241,840	389,310
Total disbursements	<u>6,603,466</u>	<u>227,533</u>	<u>6,830,999</u>	<u>7,930,625</u>	<u>8,005,625</u>	<u>1,174,626</u>
Excess (deficiency) of revenue over (under) expenditures	1,234,610	26,175	1,260,785	20,129	(54,871)	1,315,656
Other financing sources, net	<u>40,896</u>	<u>-</u>	<u>40,896</u>	<u>-</u>	<u>-</u>	<u>40,896</u>
Excess(deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,275,506	26,175	1,301,681	20,129	(54,871)	1,356,552
Balances beginning of year	<u>4,715,985</u>	<u>(48,207)</u>	<u>4,667,778</u>	<u>4,325,808</u>	<u>4,325,808</u>	<u>341,970</u>
Balances end of year	<u>\$ 5,991,491</u>	<u>(22,032)</u>	<u>5,969,459</u>	<u>4,345,937</u>	<u>4,270,937</u>	<u>1,698,522</u>

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015**

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2015, the District adopted one budget amendment increasing budgeted expenditures by \$75,000.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION**

District's proportion of the net pension liability	0.039236 %
District's proportionate share of the net pension liability	\$ 1,588
District's covered-employee payroll	\$ 2,621
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.59%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Accompanying Independent Auditors' Report



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 4 FISCAL YEARS  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 219	234	272	230
Contributions in relation to the statutorily required contribution	<u>219</u>	<u>234</u>	<u>272</u>	<u>230</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 2,450	2,621	3,134	2,853
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015**

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (In Thousands)  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	\$ -	\$ 257,008	\$ 257,008	0.0%	\$ 1,766,825	14.55%
2013	July 1, 2011	-	225,507	225,507	0.0%	1,773,349	12.72%
2014	July 1, 2011	-	168,643	168,643	0.0%	1,457,211	11.57%
2015	July 1, 2014	-	589,082	589,082	0.0%	1,163,861	50.61%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See Accompanying Independent Auditors' Report

## **SUPPLEMENTARY INFORMATION**

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	Special Revenue		
	Student Lewy	Debt Service	Total
<b>Assets</b>			
Assets:			
Cash, cash equivalents and pooled investments \$	94,932	17,821	112,753
Receivables:			
Property tax:			
Delinquent	-	1,203	1,203
Succeeding year	-	137,365	137,365
Total assets	\$ 94,932	156,389	251,321
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 742	-	742
Total liabilities	742	-	742
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	137,365	137,365
Fund balances:			
Restricted for:			
Student activities	94,190	-	94,190
Debt service	-	19,024	19,024
Total fund balances	94,190	19,024	113,214
Total liabilities, deferred inflows of resources and fund balances	\$ 94,932	156,389	251,321

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	Special Revenue		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Local Tax	\$ -	145,689	145,689
Other	115,612	832	116,444
Total revenues	115,612	146,521	262,133
Expenditures:			
Current:			
Instruction:			
Other	116,782	-	116,782
Other expenditures:			
Long-term debt:			
Principal	-	350,859	350,859
Interest and fiscal charges	-	127,132	127,132
	-	477,991	477,991
Total expenditures	116,782	477,991	594,773
Deficiency of revenues under expenditures	(1,170)	(331,470)	(332,640)
Other financing sources (uses):			
Transfers in	-	287,827	287,827
Transfers out	(4,094)	-	(4,094)
Total other financing sources(uses)	(4,094)	287,827	283,733
Net change in fund balances	(5,264)	(43,643)	(48,907)
Fund balances beginning of year	99,454	62,667	162,121
Fund balances end of year	\$ 94,190	19,024	113,214

See Accompanying Independent Auditors' Report



**EAST MILLS COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUNDS  
YEAR ENDED JUNE 30, 2015**

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Lewy	
<b>Assets</b>			
Assets:			
Cash, cash equivalents and pooled investments	\$ 670,158	47,525	717,683
Receivables:			
Property tax:			
Delinquent	-	741	741
Succeeding year	-	460,808	460,808
Accounts	5,095	-	5,095
Due from other governments	80,181	-	80,181
Total assets	<u>\$ 755,434</u>	<u>509,074</u>	<u>1,264,508</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	2,712	2,712
Deposits payable	-	17,050	17,050
Total liabilities	-	19,762	19,762
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	460,808	460,808
Fund balances:			
Restricted for:			
Debt service	164,053	-	164,053
School infrastructure	591,381	-	591,381
Physical plant and equipment	-	28,504	28,504
Total fund balances	<u>755,434</u>	<u>28,504</u>	<u>783,938</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 755,434</u>	<u>509,074</u>	<u>1,264,508</u>

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES – CAPITAL PROJECT ACCOUNTS  
YEAR ENDED JUNE 30, 2015**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local Tax	\$ -	98,827	98,827
Other	2,904	1,592	4,496
State sources	511,039	-	511,039
Total revenues	513,943	100,419	614,362
Expenditures:			
Current:			
Instruction:			
Regular instruction	10,632	-	10,632
Support services:			
Instructional staff	24,523	18,946	43,469
Administration	2,536	-	2,536
Operation and maintenance of plant	-	12,395	12,395
Transportation	-	17,924	17,924
	27,059	49,265	76,324
Other expenditures:			
Facilities acquisition	93,343	130,450	223,793
Total expenditures	131,034	179,715	310,749
Excess (deficiency) of revenues over (under) expenditures	382,909	(79,296)	303,613
Other financing (uses):			
Sale of general fixed assets	-	40,896	40,896
Transfers out	(287,827)	-	(287,827)
Total other financing (uses)	(287,827)	40,896	(246,931)
Net change in fund balances	95,082	(38,400)	56,682
Fund balances beginning of year	660,352	66,904	727,256
Fund balances end of year	\$ 755,434	28,504	783,938

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND - STUDENT ACTIVITY ACCOUNTS**  
**YEAR ENDED JUNE 30, 2015**

	Balance Beginning of Year	Revenues	Expend- itures	Transfers In (Out)	Balance End of Year
HS drama	\$ 781	1,560	913	-	1,428
MS drama	2,526	-	-	-	2,526
HS speech club	-	200	27	-	173
HS vocal	128	-	-	-	128
HS instrumental music	2,145	6,823	2,645	-	6,323
MS cheerleading	571	-	10	-	561
MS fundraiser	9,488	14,000	17,010	-	6,478
MS library club	741	-	-	(741)	-
Class of 2015	1,936	1,202	2,890	-	248
5-6 loop fund	273	-	-	-	273
MS athletics	1,250	-	-	-	1,250
HS athletics	11,994	20,347	19,577	-	12,764
HS football	712	2,136	1,014	-	1,834
HS volleyball	744	1,428	599	-	1,573
HS softball	657	200	-	-	857
HS girls basketball	363	957	959	-	361
HS boys basketball	474	-	-	-	474
HS baseball	1,522	720	1,266	-	976
HS wrestling	475	2,013	994	-	1,494
HS track	240	692	623	-	309
Boys golf	257	-	-	-	257
MS boys basketball	1,594	-	-	-	1,594
MS football	729	-	-	-	729
MS wrestling	200	-	-	-	200
MS girls basketball	1,568	306	464	-	1,410
MS volleyball	501	330	318	-	513
MS girls track	1,096	140	140	-	1,096
National honor society	893	1,416	1,340	-	969
Dance team	58	-	-	-	58
HS yearbook	553	1,776	893	-	1,436
Art club	89	150	-	-	239
HS concessions	10,220	1,000	815	(1,000)	9,405
Panther den	603	-	-	-	603
HS cheerleading	282	2,075	1,403	-	954
Hosa fund	370	-	-	-	370
HS library club	270	-	-	(270)	-
HS weight club	204	-	-	-	204
Class of 2016	1,330	6,870	4,405	-	3,795
Class of 2017	919	1,745	167	-	2,497
Class of 2018	-	1,745	166	-	1,579
Class of 2013	381	-	-	(381)	-
Class of 2014	1,714	-	1,342	(372)	-
Elementary music	347	-	-	-	347
FFA	6,968	7,454	5,359	-	9,063
HS student council	183	200	-	-	383
Elementary activity	4,911	2,298	2,456	-	4,753
Chantry library	2,698	-	-	(2,698)	-
HS activity	17,464	28,844	35,495	753	11,566
HS library	203	-	-	(203)	-
Chantry reading	183	-	-	(183)	-
Miscellaneous	559	-	-	1	560
HS FCCLA	5,087	6,985	13,492	1,000	(420)
Total	\$ 99,454	115,612	116,782	(4,094)	94,190

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2015**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 1,969	-	-	1,969
Total assets	<u>\$ 1,969</u>	<u>-</u>	<u>-</u>	<u>1,969</u>
<b>Liabilities</b>				
Due to other governments	\$ 1,969	-	-	1,969
Total liabilities	<u>\$ 1,969</u>	<u>-</u>	<u>-</u>	<u>1,969</u>

See Accompanying Independent Auditors' Report

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURE BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST FOUR YEARS**

Modified Accrual Basis				
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local Tax	\$ 4,150,936	3,846,639	4,485,255	4,325,883
Tuition	162,544	183,084	157,122	149,275
Other	366,255	296,915	289,496	299,955
Intermediate sources	-	-	400	-
State sources	3,014,888	3,142,627	2,719,434	3,048,396
Federal sources	143,453	160,990	171,846	181,079
Total	<u>\$ 7,838,076</u>	<u>7,630,255</u>	<u>7,823,553</u>	<u>8,004,588</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,056,338	2,902,100	2,682,385	3,253,652
Special instruction	712,764	726,231	844,529	911,947
Other instruction	218,783	562,220	614,092	677,907
Support services:				
Student services	118,197	69,217	56,640	67,499
Instructional staff services	30,741	116,859	160,641	331,117
Administration services	543,554	517,479	649,347	723,824
Operation and maintenance of plant services	699,417	541,964	682,790	668,001
Transportation services	371,142	364,218	384,305	442,967
Other expenditures:				
Facilities acquisition	148,508	180,538	99,401	146,259
Long-term debt:				
Principal	350,859	2,167,349	303,946	190,000
Interest and fiscal charges	127,132	182,411	195,201	191,342
AEA flowthrough	226,031	225,209	217,626	214,462
Total	<u>\$ 6,603,466</u>	<u>8,555,795</u>	<u>6,890,903</u>	<u>7,818,977</u>

See Accompanying Independent Auditors' Report

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**





Diane McGrain, CPA  
Jim Menard, CPA

October 19, 2015

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Performed  
in Accordance with Government Auditing Standards**

The Board of Education  
East Mills Community School District  
Hastings, IA 51540

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund balance information of the East Mills Community School District as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 19, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered East Mills Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Mills Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Mills Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph, and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses, and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 and I-B-15 to be material weaknesses.

Continued. . .

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Mills Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **East Mills Community School District's Responses to Findings**

East Mills Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. East Mills Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Mills Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience

*Schroeder & Associates, P.C.*

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-15    Segregation of Duties**

Comment – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, including receipting, investing, check writing, journalizing, payroll preparation, bank reconciling, and financial reporting. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The District has been working on segregating duties where possible. With two people in the central office, several of the listed duties are shared, but we will continue to work on segregating duties.

Conclusion – Response accepted.

**I-B-15    Electronic Signature**

Comment – We noted the District implemented an electronic signature at the time checks are issued. This overrides the signature controls that were in place for disbursements.

Recommendation – A board member should review and document review of the bank statement for possible disbursements not approved by the board.

Response – Board members currently rotate review of claims on a monthly basis. We will also review the bank statement at that time. We will initial our review of both the claims list and the bank statement.

Conclusion – Response accepted.

**I-C-15    Payment Duplication**

Comment – We noted that an invoice supported by a statement was a duplicate payment.

Recommendation – The District should pay claims from original invoices and not from a statement or invoice copy to avoid duplicate payment.

Response – We will contact the vendor and make the adjustment for the overpayment. We will pay all claims from original invoices in the future.

Conclusion – Response accepted.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting:**

**II-A-15    Certified Budget**

Expenditures for the year ended June 30, 2015 did not exceed the amended certified budget amounts.

**II-B-15    Questionable Expenditures**

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**II-C-15    Travel Expense**

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**II-D-15    Business Transactions**

We noted no business transactions between the District and District officials or employees.

**II-E-15    Bond Coverage**

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate.

**II-F-15    Board Minutes**

No transactions were found that we believe should have been approved by the Board minutes, but were not.

**II-G-15    Certified Enrollment**

We noted no variances in the basic enrollment data certified to the Department of Education.

**II-H-15    Supplemental Weighting**

No variances regarding the supplemental weighting certified to the Department of Education were noted.

**II-I-15    Deposits and Investments**

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

**II-J-15    Certified Annual Report**

The Certified Annual Report was certified timely to the Iowa Department of Education.

**EAST MILLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting (continued):**

**II-K-15    Categorical Funding**

No instances were noted of categorical funding used to supplant rather than supplement other funds.

**II-L-15    Statewide Sales and Services Tax**

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	660,352
Revenues/transfers in:		
Sales tax revenues		511,039
Other local revenues		2,904
		<u>513,943</u>
Expenditures/transfers out:		
Technology		37,691
Facilities acquisitions		93,343
Transfers to debt service fund		287,827
		<u>418,861</u>
Ending balance	\$	<u>755,434</u>

For the year ended June 30, 2015, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.13	\$ 287,827

**II-M-15    Revenue Bonds**

The District is in compliance with the provisions of the revenue bond resolution.

**II-N-15    Deficit Fund Balance**

Comment – We noted the Nutrition Fund had a deficit balance at June 30, 2015.

Recommendation – The District should investigate alternatives to eliminate the deficit.

Response – The implementation of GASB No. 68 had a negative impact on this fund. We will consider alternatives to eliminate the deficit.

Conclusion – Response accepted.